



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 6, 2001

H.R. 1020 **Railroad Track Modernization Act of 2001**

*As ordered reported by the House Committee on Transportation and Infrastructure
on May 16, 2001*

SUMMARY

H.R. 1020 authorizes the Secretary of Transportation to provide grants to states and to class II and class III railroads for improving railroad track. These grants also could be used to pay the credit risk premium, lower interest rates, and cover principal payments for loans provided under the Railroad Rehabilitation and Improvement Financing (RRIF) program. (Under the RRIF program the Secretary of Transportation is authorized to provide direct loans and loan guarantees to railroads for capital improvements. Borrowers may pay a credit risk premium to cover the subsidy cost of the loans or loan guarantees in lieu of federal appropriations.)

H.R. 1020 would authorize the appropriation of \$350 million each year over the 2002-2004 period. CBO estimates that implementing H.R. 1020 would cost \$840 million over the 2002-2006 period, and another \$210 million after 2006. H.R. 1020 would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply.

H.R. 1020 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Any costs to state or local governments that receive grants under this bill would be incurred voluntarily.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1020 is shown in the following table. The costs of this legislation fall within budget function 400 (transportation).

	By Fiscal Year, in Millions of Dollars					
	2001	2002	2003	2004	2005	2006
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law for Railroad Capital Improvement Grants						
Budget Authority	0	0	0	0	0	0
Estimated Outlays ^a	2	0	0	0	0	0
Proposed Changes						
Authorization Level	0	350	350	350	0	0
Estimated Outlays	0	35	175	210	210	210
Spending Under H.R. 1020						
Authorization Level	0	350	350	350	0	0
Estimated Outlays ^a	2	35	175	210	210	210

a. Outlays in 2001 are from prior appropriations for railroad capital improvement grants.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 1020 will be enacted in fiscal year 2001 and that the authorized amounts will be appropriated for each year. Estimates of spending are based on information from the Federal Railroad Administration and historical spending patterns of similar programs.

H.R. 1020 would repeal the authority of the Secretary of Transportation to provide grants to states for capital improvements to railroads. No appropriations have been made for these grants since 1995. Instead the bill would authorize the Secretary to make improvement grants directly to certain railroads or to states or local governments under certain conditions, provided that 20 percent of the cost of any projects funded with these grants come from nonfederal contributions.

PAY-AS-YOU-GO CONSIDERATIONS: None.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1020 contains no intergovernmental or private-sector mandates as defined in UMRA. States and railroads that receive funds under this program would be required to contribute 20 percent of the project's total cost. Any costs to state or local governments as a result of enacting this bill would be incurred voluntarily.

ESTIMATE PREPARED BY:

Federal Costs: Rachel Milberg

Impact on State, Local, and Tribal Governments: Susan Sieg Tompkins

Impact on the Private Sector: Paige Piper/Bach

ESTIMATE APPROVED BY:

Peter H. Fontaine

Deputy Assistant Director for Budget Analysis